

CASE STUDY MATERIALS

June 2018
Level 6
THE PRACTICE OF COMPANY &
PARTNERSHIP LAW
Subject Code L6-16



THE CHARTERED INSTITUTE OF LEGAL EXECUTIVES

UNIT 16 – THE PRACTICE OF COMPANY & PARTNERSHIP LAW*

CASE STUDY MATERIALS

Information for Candidates on Using the Case Study Materials

- This document contains the case study materials for your examination.
- In the examination, you will be presented with a set of questions which will relate to these case study materials. You will be required to answer **all** the questions on the examination paper.
- You should familiarise yourself with these case study materials prior to the examination, taking time to consider the themes raised in the materials.
- You should take the opportunity to discuss these materials with your tutor/s either face-to-face or electronically.
- It is recommended that you consider the way in which your knowledge and understanding relate to these case study materials.

Instructions to Candidates Before the Examination

- You will be provided with a clean copy of the case study materials in the examination.
- You are **NOT** permitted to take your own copy of the case study materials or any other materials including notes or textbooks except a Statute Book, where permitted, into the examination.
- In the examination, candidates must comply with the CILEx Examination Regulations.

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* This unit is a component of the following CILEx qualifications: **LEVEL 6 CERTIFICATE IN LAW, LEVEL 6 PROFESSIONAL HIGHER DIPLOMA IN LAW AND PRACTICE** and the **LEVEL 6 DIPLOMA IN LEGAL PRACTICE**

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ADVANCE INSTRUCTIONS TO CANDIDATES

You work in the Corporate Department of Kempstons LLP, Solicitors. You arrive at work to find the following memo awaiting your attention, from your supervising partner, Andrew Miller.

KEMPSTONS LLP
INTERNAL MEMORANDUM

To: Trainee Lawyer
From: Andrew Miller
Date: [Today's date]
Matter: Spick 'N' Span Car Cleaning Services (Spick 'N' Span)

I have a meeting with Reuben Iyamu in the next few weeks and would like your assistance with the preparation for when we meet again.

Reuben is the son of one of my neighbours. After A levels and while he anticipated going to university, Reuben started doing odd jobs and started car cleaning and valeting. This has proved considerably more successful than he had anticipated and has grown into quite an enterprise. He has been operating as Spick 'N' Span out of his father's company's garage and now has the opportunity to expand his business further. See the attached attendance note (**Document 1**) and email (**Document 2**).

It is a little unclear exactly what he is intending, but I hope to clarify this when we meet Reuben. I have undertaken a search against Kempston Garage Services (The Grange) Limited (**Document 4**) and reserved one of our shelf companies, should that be required (**Document 5**). The current directors and shareholders of the shelf company are partners at Kempstons. Please thoroughly review the attached documents and prepare accordingly, so that you can assist me in this matter.

Andrew

You find the following documents attached to the memo:

- DOCUMENT 1** Attendance note, Reuben Iyamu (File of Spick 'N' Span)
- DOCUMENT 2** Email from Reuben Iyamu (File of Spick 'N' Span)
- DOCUMENT 3** A copy of the latest accounts for Spick 'N' Span, for the year ending 31 March 2018 (File of Spick 'N' Span)
- DOCUMENT 4** Company Search for Kempston Garage Services (The Grange) Limited (File of Spick 'N' Span)
- DOCUMENT 5** Company Search Kempston Shelf Co 55492018 Limited (File of Spick 'N' Span)

DOCUMENT 1

ATTENDANCE NOTE

Date: [Today's date]

Client: Reuben Iyamu

File No.: 00/AM/5439/SNSCCS

Matter: Spick 'N' Span Car Cleaning Services (Spick 'N' Span)

Telephone conversation with Reuben Iyamu (RI), who was calling to request a meeting for advice on a possible agreement he is planning to enter into with Kempston Garage Services Limited (KGS).

RI explained that KGS runs a chain of garages, which not only sells petrol and services cars, but also has a franchise concession with a luxury car brand. RI explained that KGS is run by his father, George, together with Andrea Wyclif and David Whiskin.

RI currently operates his business out of one of the garages. Initially, this was only intended as a service that RI would offer to customers who brought their cars in to be serviced. However, it has grown over the last few years, such that, following requests from customers, RI now provides a travelling valeting service. He has grown the customer base in such a way that he now employs a number of casual staff to help keep up with demand. To help out with the administrative side of the business, he involved a school friend, Laura Thwaites (LT), after she had completed university. LT had been looking for work to tide her over, while she tried to set up her own home baking enterprise, specialising in wedding cakes and children's birthday cakes – LT is an avid cook, apparently she even got shortlisted for the Great British Bake Off. To help tide LT over, RI agreed that LT could be paid a small share – currently 12% – of the profit generated from the valeting business.

David has now approached RI with a view to RI expanding his valeting services into the other garages run by KGS. David has apparently noticed an increase in servicing and petrol sales at the garage that RI operates from, and he wishes to capitalise on this. David's approach was apparently made after the matter had been discussed with RI's father and with Andrea. David has been leading the discussions with RI, so that George can be seen to be at arm's length and to let RI 'stand on this own two feet'.

KGS acquired another garage, 'The Grange', a little while back, in what is regarded as a prime location, which it has started to refurbish. David has told RI that the ownership of The Grange was transferred to a discrete entity (Kempston Garage Services (The Grange) Limited), so that it was kept separate from KGS's main business. The Grange's refurbishment was financed by a commercial loan secured against the site and the loan was predominately used to purchase building materials and other items needed for the refurbishment. The Grange is currently valued at about £1,500,000.

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RI has already used his mobile valeting service at The Grange, to enable him to judge the potential business interest for his valeting services, and to help KGS confirm the rationale for its offer to RI.

It now appears that discussions have moved on somewhat. David has proposed that RI's business should be amalgamated with Kempston Garage Services (The Grange) Limited, the entity owning The Grange.

I discussed with RI how this arrangement was intended to work. RI appeared a little confused as to what is being suggested by David, and RI's father is currently away, so he hasn't been able to get clarity from that direction either. RI is going to seek confirmation on whether he is being invited to buy a stake in the entity owning The Grange.

RI said that he was due to meet with David at the weekend and would see what more he could establish. I suggested that we meet after that, but in the meantime asked RI to provide a copy of his current business accounts and said I would undertake a search against KGS.

Time in attendance: 2 units.

DOCUMENT 2

Email

From: Rlyamu@SpickSpanCarCleaning.co.uk

To: a.miller@kempstonsllp.com

Date: [Today's date]

Re: The Grange

Dear Andrew

Thank you for your time this morning.

As I explained, the intention is for me and, I assume by extension, Laura to get more involved in the running of my business out of The Grange. From the brief discussions that I have had with David, he and the KGS Board are keen that The Grange's activities are self-contained.

As requested, I have included my last set of accounts (**Document 3**); you will see that I have managed to keep some profit within the business, which I was planning to use to expand my activities a little more. It now seems that I have the ideal opportunity to do so.

I should also say that Laura wants to get more hands-on with the business and has proposed that she operates the existing business, while I focus on setting up the new activities at The Grange. I am somewhat unsure about this. Laura recently placed an order that I didn't know about, and I am a little concerned whether she is devoting sufficient time to the business, or whether she is focusing on her baking enterprise while she is supposed to be doing our administration. Customers have also mentioned finding her business cards in the cars we valet. Laura is also saying that she should have a bigger share of the profit, stating that her current share does not take account of her expertise and business contribution.

I'll be in touch, once I've spoken to David, to confirm meeting up.

Best

Reuben

Spick 'N' Span

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DOCUMENT 3

Spick 'N' Span Car Cleaning Services
Trading and Profit & Loss account
for the year ending 31 March 2018

	£	£
Sales		98,000
<i>less cost of goods sold</i>		
Opening stock	2,000	
<i>add Purchases</i>	<u>8,000</u>	
	10,000	
<i>less Closing stock</i>	<u>(3,000)</u>	<u>(7,000)</u>
Gross Profit		91,000
 <i>less Expenses</i>		
Bad debts	500	
Bank interest	1,300	
Depreciation	1,800	
Insurance	3,800	
Misc expenses	1,900	
Rent	3,500	
Utilities	1,700	
Staffing	19,500	<u>(34,000)</u>
Net profit		<u>57,000</u>

Spick 'N' Span Car Cleaning Services
Balance sheet as at 31 March 2018

	£	£	£	£
Employment of Capital				
Fixed assets		Cost	Dep'n	NBV
Vehicles		16,000	2,800	13,200
Equipment		<u>12,000</u>	<u>800</u>	<u>11,200</u>
		<u>28,000</u>	<u>3,600</u>	24,400
Current Assets				
Stock		3,000		
Trade debtors	8,000			
<i>less provision</i>	<u>(500)</u>	7,500		
Pre-payment		1,500		
Cash at bank		<u>42,900</u>	60,900	
 <i>less Liabilities</i>				
Bank loan		10,600		
Trade creditors		3,000		
HM Revenue & Customs		1,300		
Accrual		<u>1,500</u>	<u>(16,400)</u>	<u>44,500</u>
Net Assets				<u>68,900</u>
 Capital employed				
Capital				56,900
Retained profit to 1 April 2018				<u>12,000</u>
				<u>68,900</u>
 Calculation of retained profit to 1 April 2018				
Retained profit at 1 April 2017				1,000
Net profit for the year				<u>57,000</u>
				58,000
Drawings				<u>46,000</u>
Retained profit to 31 March 2018				<u>12,000</u>

DOCUMENT 4

KEMPSTON GARAGE SERVICES (THE GRANGE) LIMITED

Company Search

Name of Company		Kempston Garage Services (The Grange) Limited	
Company Number		445699987	
Company Type		Private company limited by shares	
Date of Incorporation		28 March 2016	
Previous Names		None	
Registered Office		The Grange, Ampthill Road, Bedford, MK45 3JE	
Date of Last Annual Return		N/A	
Accounting Reference Date		30 November	
Accounts	Last filed	Next due for period to	Overdue
	N/A	30 November 2018	N/A
Current Directors and Secretary	Directors		Secretary
	George Iyamu David Whiskin Andrea Wyclif		Andrea Wyclif
Share Capital	Issued	Class	Amount paid up
	£550,000	Ordinary £1	£0.10 per share
Shareholders	Name	Class	No. of shares
	George Iyamu	Ordinary £1	150,000
	David Whiskin	Ordinary £1	150,000
	Andrea Wyclif	Ordinary £1	100,000
	Sarah Iyamu	Ordinary £1	50,000
	Angela Whiskin	Ordinary £1	50,000
	Marcus Wyclif	Ordinary £1	50,000
Undischarged Mortgages or Charges			
Chargee	Date of charge	Amount Secured	Description of Charge (including assets secured and whether there is a negative pledge)
N/A			
Memorandum of Association			
Standard, unamended			
Articles of Association			
Model Articles for private companies limited by shares		Amended March 2017 for inclusion of Special Article restricting member transfer of shares to family, trust set up for the benefit of family members, a member's personal representatives provided that by the will or law of intestacy the beneficial interest will devolve to a member of the family of the deceased member, or another member.	

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Unusual documents	Yes/No	(Include copies)
Appointment of receiver/administrator/ winding-up order	NO	
Any other comments	NO	
Report completed by:	FTR	Date: May 2018

DOCUMENT 5

KEMPSTON SHELF CO 55492018 LIMITED

Company Search

Name of Company		Kempston Shelf Co 55492018 Limited		
Company Number		KEP394457A		
Company Type		Private company limited by shares		
Date of Incorporation		1 November 2016		
Previous Names		None		
Registered Office		The Manor House, Bedford, MK42 7AB		
Date of Last Annual Return		N/A		
Accounting Reference Date		1 April		
Accounts		Last filed	Next due for period to	Overdue
		N/A	1 April 2018	N/A
Current Directors and Secretary		Directors		Secretary
		Andrew Miller Susan Morris		Andrew Miller
Share Capital		Issued	Class	Amount paid up
		£2	Ordinary £2	£1 per share
Shareholders		Name	Class	No. of shares
		Andrew Miller Susan Morris	Ordinary £1 Ordinary £1	1 1
Undischarged Mortgages or Charges				
Chargee	Date of charge	Amount Secured	Description of Charge (including assets secured and whether there is a negative pledge)	
N/A				
Memorandum of Association				
Standard, unamended				
Articles of Association				
Model Articles for private companies limited by shares		Unamended		
Unusual documents		Yes/No	(Include copies)	
Appointment of receiver/administrator/winding-up order		NO		
Authority to allot shares under section 551 CA 2006		NO		
Any other comments		NO		
Report completed by:		FTR	Date: May 2018	

End of Case Study Materials

